

# A tale of two mistakes and a missed opportunity

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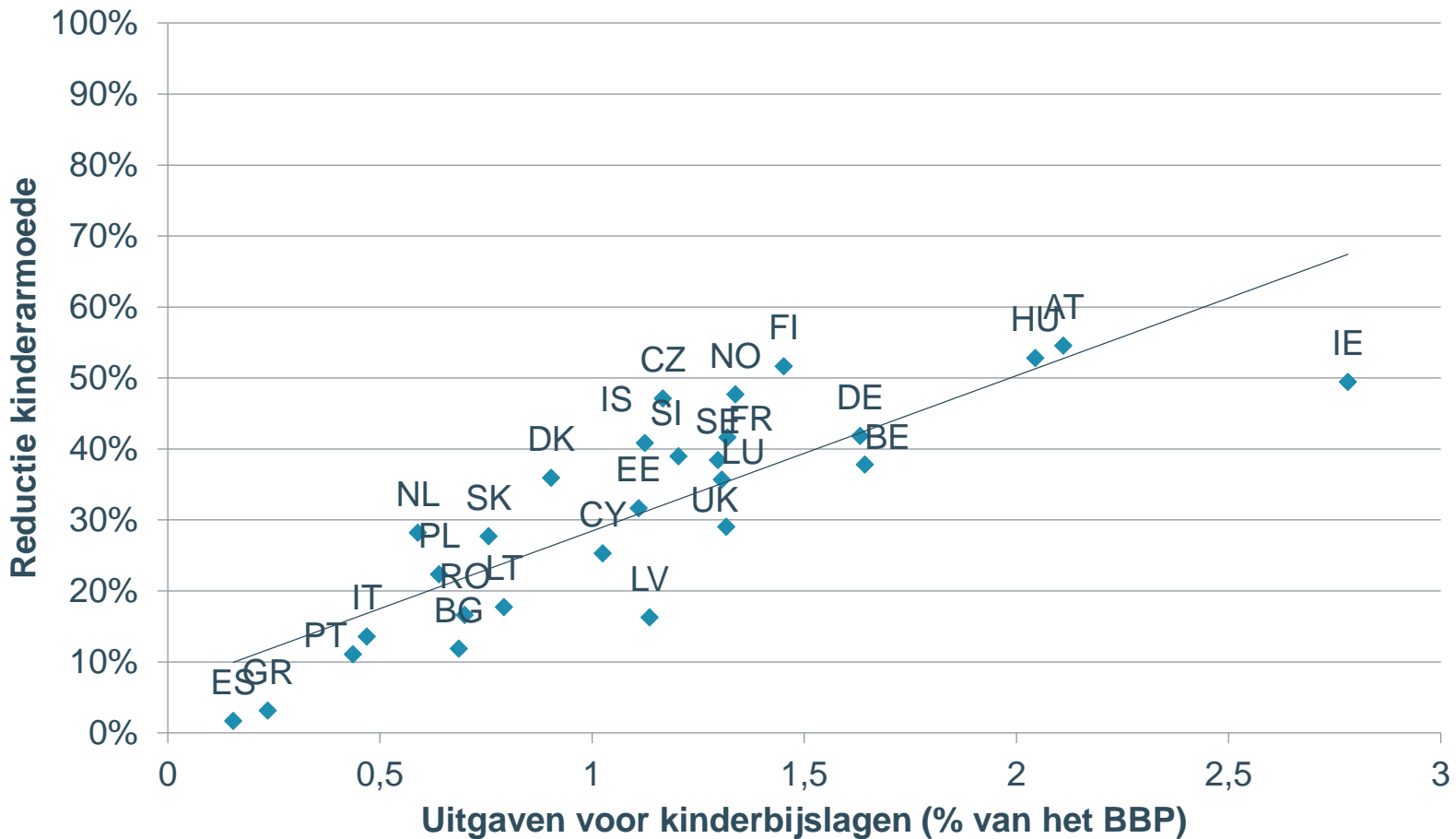
# Background

“De invoering [van het Groeipakket] leidt tot bijna een verdubbeling van het aantal minderjarigen met een verhoogde kinderbijslag vanwege het inkomen”. Voor de invoering van het Groeipakket had zo’n 11 procent van de kinderen onder achttien jaar recht op verhoogde toeslagen, na de invoering, begin januari, zo’n 22 procent.”

“Zij krijgen door het *Groeipakket* netto meer inkomen en kunnen ook hun verhoogde toeslagen behouden eens ze een job vinden.”

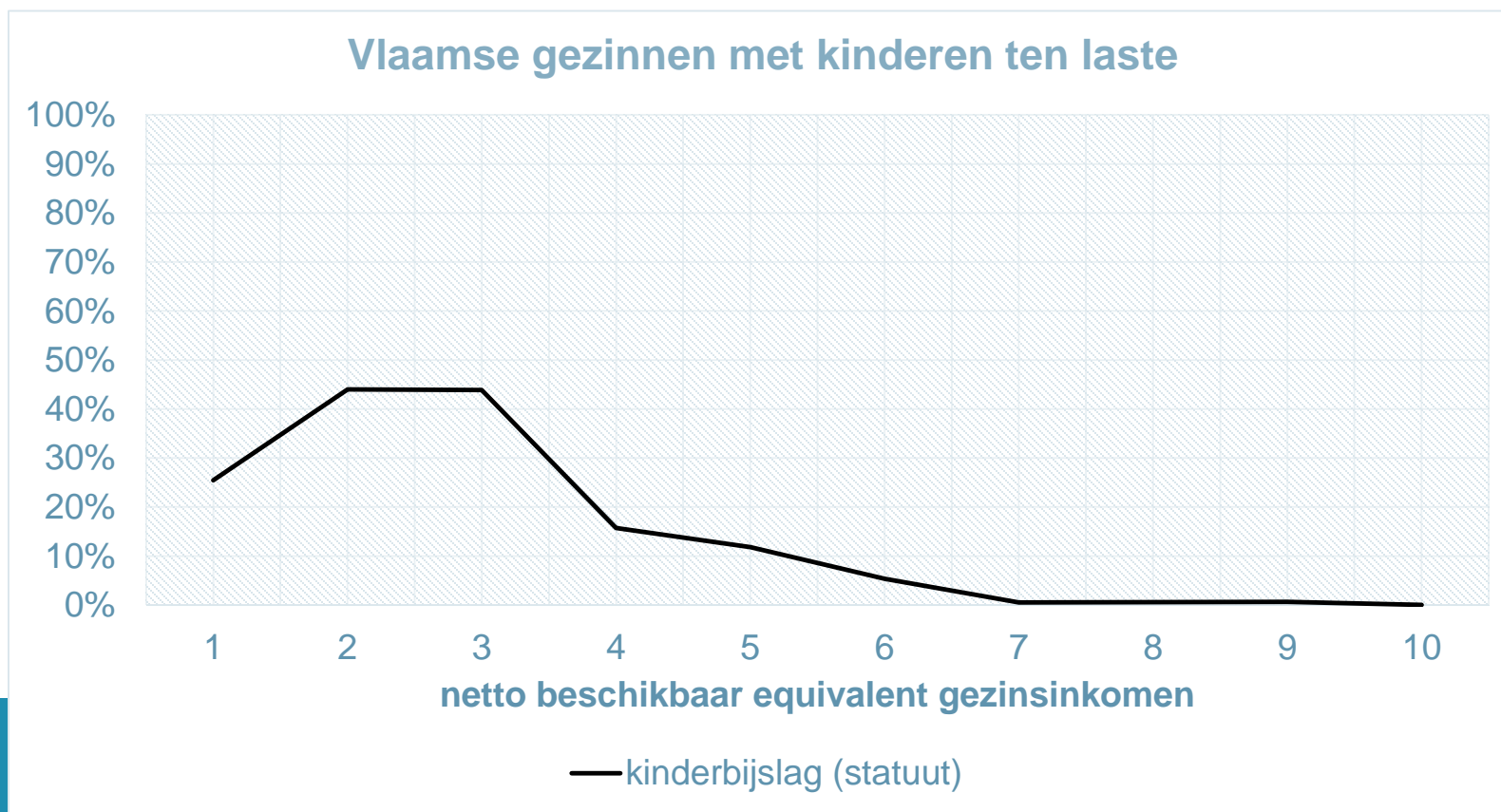
<https://www.demorgen.be/nieuws/kansarmoede-waarom-raakt-het-probleem-niet-opgelost~b59046ce/?referer=https%3A%2F%2Fwww.google.com%2F>

# Child benefit systems are important to combat child poverty



# Issues with the old system

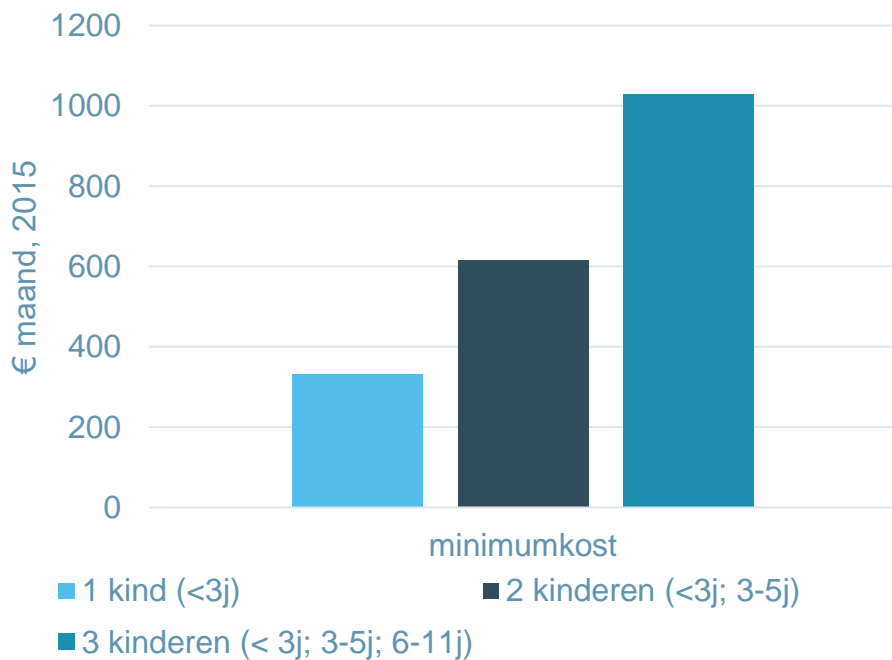
- Social supplements too limited (< 5% of the budget)
- ...and not well targeted



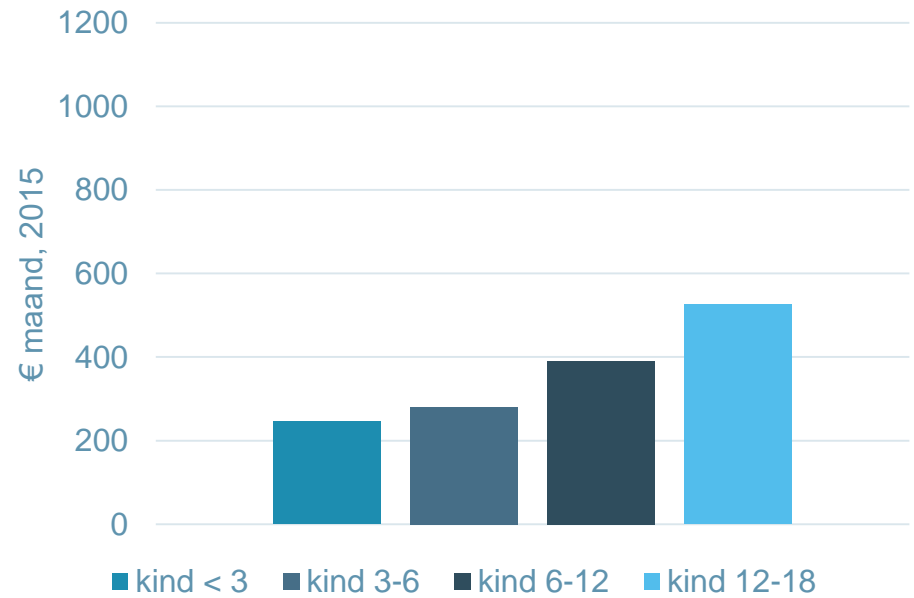
# Not every child has the same needs

- Agreement across the aisle: get rid of the ranking order and the age supplements in the child benefit system
- ‘Every child is equal’ is a mistake
- Not about equality, but about needs (costs)
- Larger families with older children have different needs compared with small families with young children

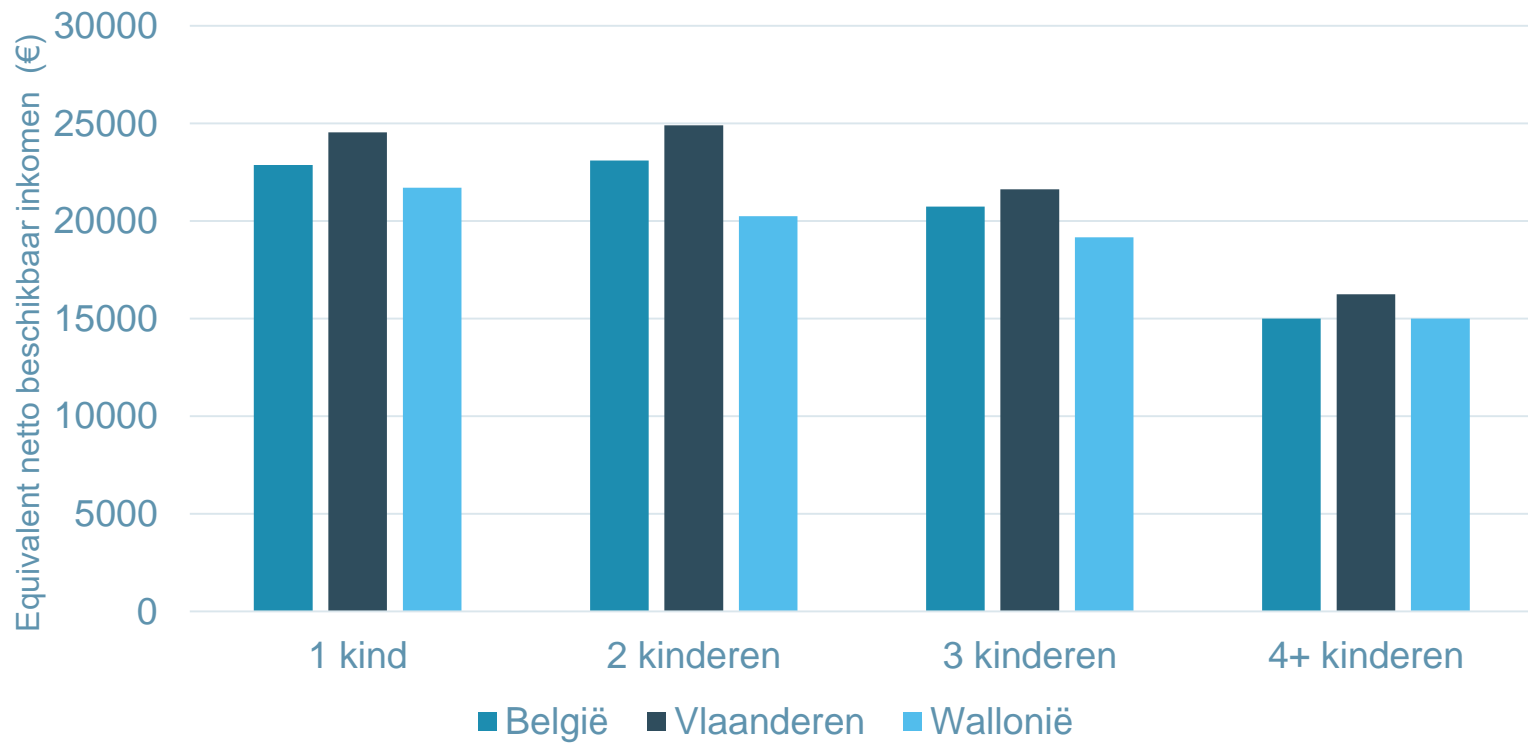
### Minimal cost of children by number of children



### Minimal cost of children by age



## Mediaan equivalent netto beschikbaar gezinsinkomen (inclusief kinderbijslag)



# Not every child has the same needs

- The problem is this: one single, same amount for each child means that the amount needs to be high enough to cater for the additional costs of older and more children
- Within a fixed budget, this is impossible
- An equal amount per child is less able to compensate for the costs of larger families
- This means that social supplements need to be more extensive and generous to compensate for this



# Complexity is not necessarily a bad thing

- ‘System complexity’ versus ‘user complexity’
- Goal *should* be to make it simple for the end-user
- Goal *was* to make the system simple
- Hence:
  - 1 child = 1 amount
  - Social supplements based on income

# Complexity is not necessarily a bad thing

- A patchwork administrative system resulting from path dependent decisions and social changes might work pretty efficient
- E.g. the former Belgian system was 'complex' with 100s of combinations of benefits amounts, and complex rules for allocating supplements
- A 'simple' system based on income-tested supplements can easily become *more* complex
  - Hard to time it right: fiscal data comes with a 2y delay
  - Requirement for families to prove their low incomes
  - Difficulty to cope with situations of higher and lower incomes within one fiscal year

# The new regional systems

- Basic amounts (one child, one amount): €163 in Flanders, €155 in Wallonia, €150 in Brussels, €157 in German-speaking community
- Complemented with social supplements that take account of the additional needs for large families based on gross family income
- Age supplements for higher education, in Brussels age supplements at 12 and 18 years old (in HE)

➔ In order to compensate for abolishing the ranking order in the basis amount, a ranking order has to be created in the social supplement

# ...are a missed opportunity

- Poverty by regions
- Winners and losers by regions

# Flanders

**Tabel 2 Armoederisico in Vlaanderen, 2015**

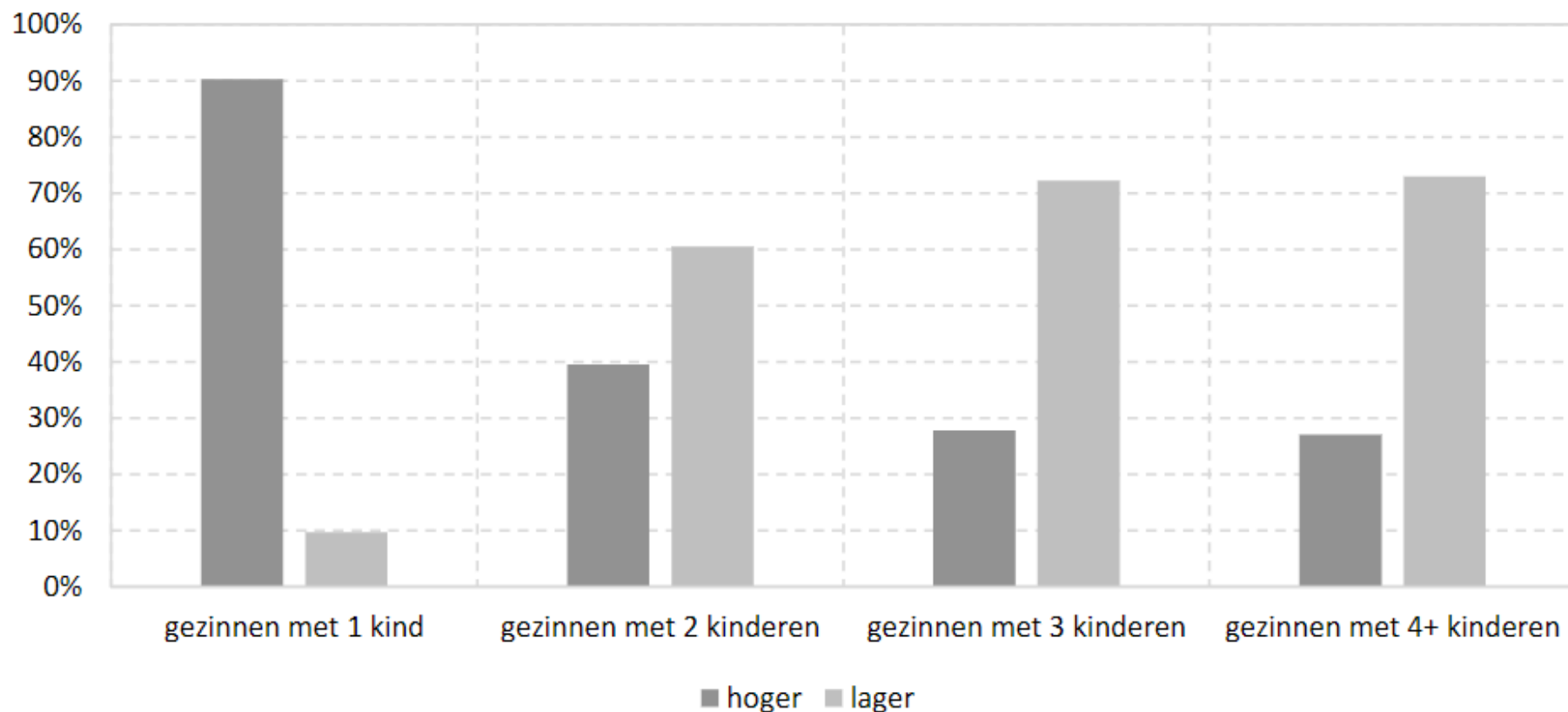
	Huidig stelsel	Nieuw stelsel	Nieuw stelsel met indexering
Kinderen (< 18)	11,2%	10,9%	10,4%
Gezinnen met kinderen	10,4%	9,8%	9,4% *
Gezinnen met 1 kind	12,3%	10,7% *	10,7% *
Gezinnen met 2 kinderen	7,6%	8,2%	7,4%
Gezinnen met 3 kinderen	8,8%	7,1%	7,1%
Gezinnen met 4 of meer kinderen	23,2%	25,4%	23,2%
Koppels met kinderen	7,2%	6,5%	6,4%
Eenoudergezinnen	22,3%	22,9%	20,8%

Noot: \* = significant verschillend van het ' huidig stelsel',  $p < 0.05$  op basis van een t-toets.

Bron: simulaties op basis van EUROMOD/Mefisto, inkomens op basis van EU-SILC 2012, prijzen 2015, regelgeving 2015.

# Flanders

**Figuur 3** Gezinnen met hogere en lagere kinderbijslag in het nieuw stelsel, naar aantal kinderen, 2015



Bron: simulaties op basis van EUROMOD/Mefisto, inkomens op basis van EU-SILC 2012, prijzen 2015, regelgeving 2015. Noot: zie Figuur 1.

# Wallonia

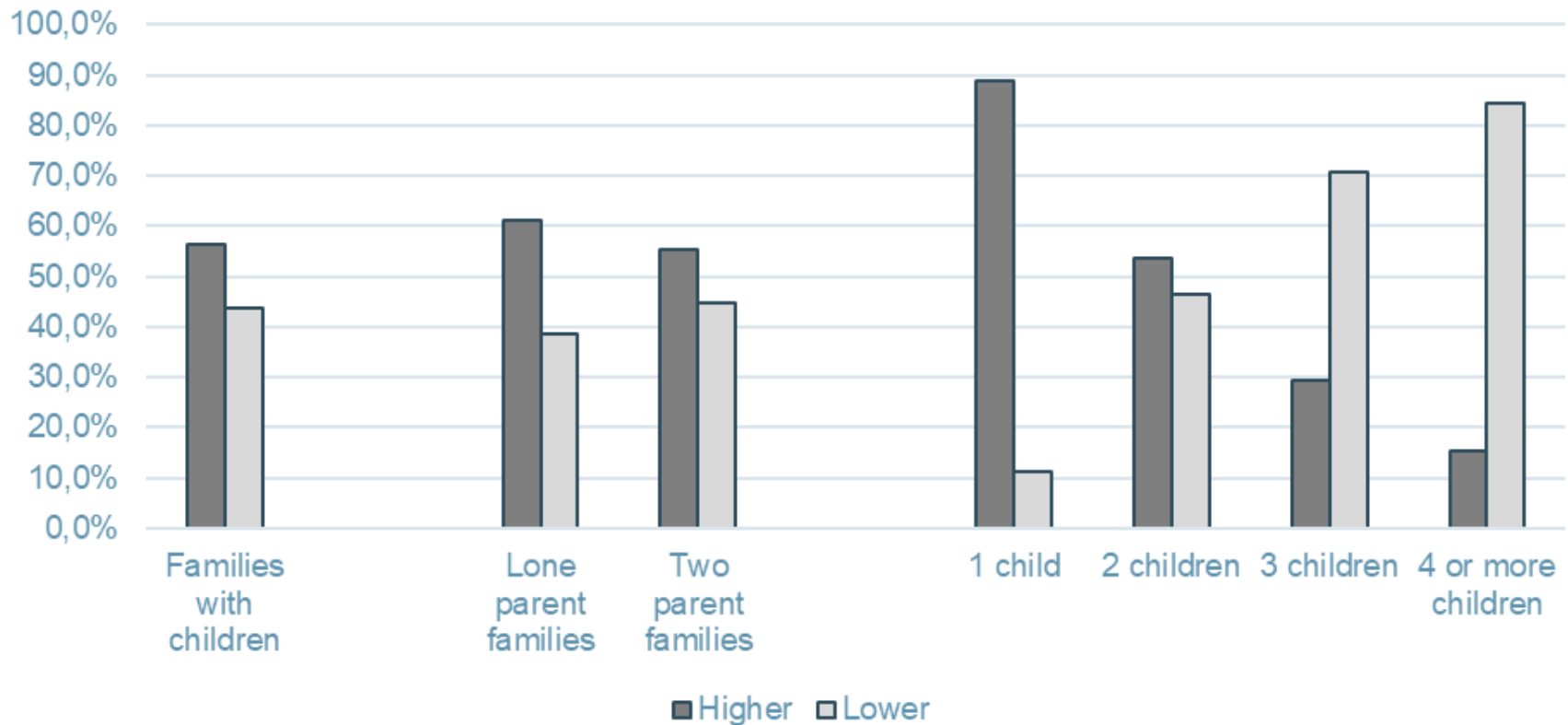
## Taux de pauvreté en Wallonie, par type de famille, 2015

	Systeme actuel	Nouveau systeme
<b>Enfants (0-17)</b>	20,1%	19,7%
<b>Type de famille</b>		
Famille monoparentale	43,1%	43,7%
Couples	13,8%	13,2%
<b>Nombre d'enfants</b>		
1 enfant	14,6%	13,4%
2 enfants	18,7%	18,0%
3 enfants	15,0%	14,4%
4 enfants ou plus	38,0%	41,4%

Note: \* = différent significativement du système actuel,  $p < 0.05$  t-test.

Source: simulations basées sur EUROMOD/MEFISTO, EU-SILC 2012 données de base, revenu, prix et législation de 2015.

# Wallonia

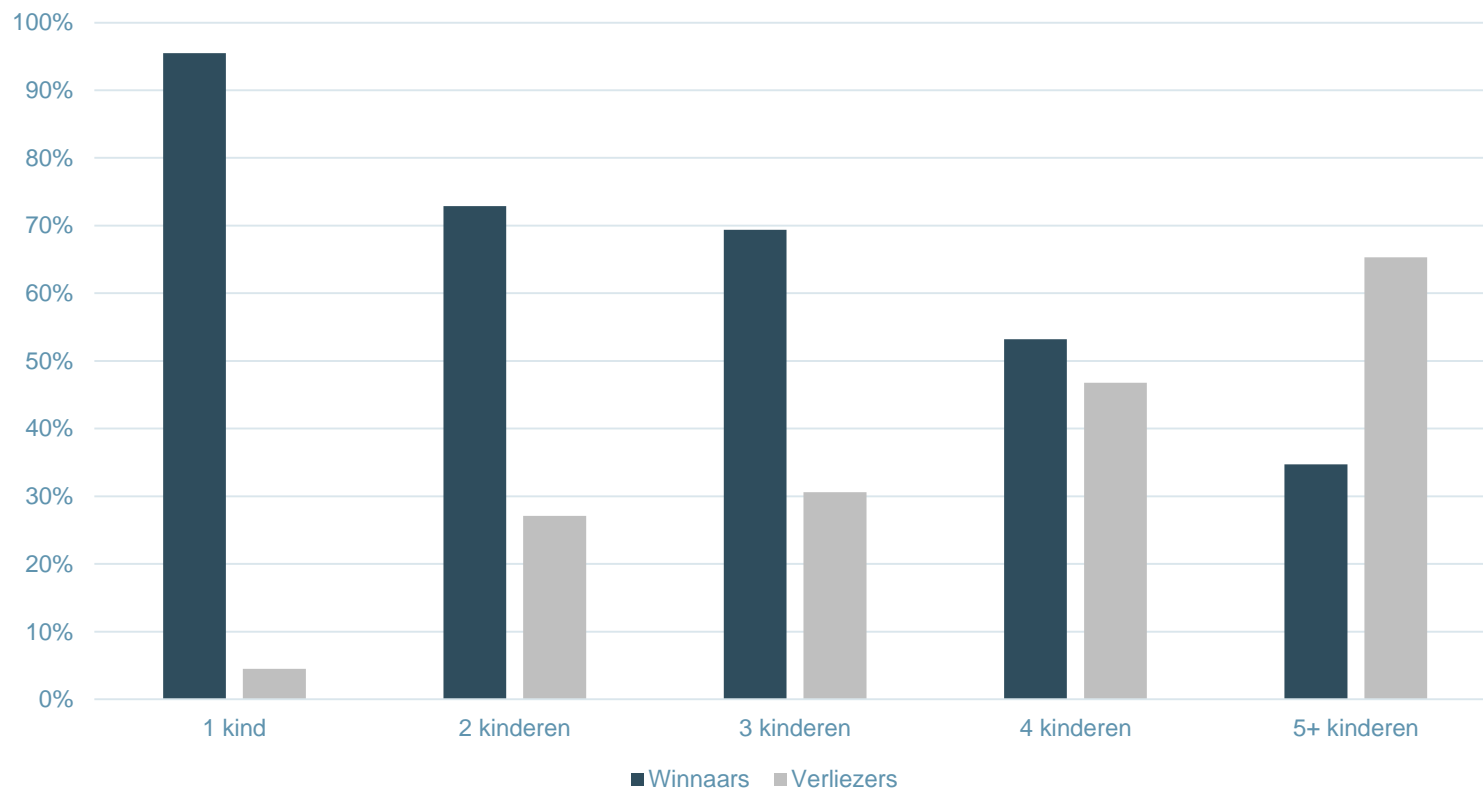




# Brussels

		Baseline	Scenario 150
Armoederisico	<b>Kinderen</b>		
	<b>-18 jaar</b>	38,4%	37,6%
	95% betrouwbaarheidsinterval	[31,5 - 45,3]	[30,7 - 44,5]
	<i>Sign. verschil t.o.v. baseline</i>		n.s.
	<b>Gezinnen met afhankelijke kinderen</b>	36,3%	35,2%
	95% betrouwbaarheidsinterval	[30,3 - 42,2]	[29,3 - 41,1]
<i>Sign. verschil t.o.v. baseline</i>		n.s.	

# Brussels



# Further issues that may hamper poverty reduction

- More conditionality
  - E.g. 'participatietoelagen' in Flanders tied to preschool enrollment
- Less freedom
  - E.g. budget allocated for childcare subsidies in Flanders
- Creeping marketization
  - E.g. free choice of child benefit fund
  - Funds will try to attract new customers
  - Potential for creaming and selection effects

# Yet there are real opportunities

- Child benefit systems can cater for different regional realities
- Huge learning opportunity to set-up large scale income-tested benefit systems founded on a universal floor (targeting within universalism)
- Errors will be unavoidable, but in Flanders there will be no clawing back of wrongly allocated supplements (for now)
- Supplements are granted for 1 year in Flanders (good in terms of unemployment traps, avoids the need to track short-term income changes)

# So...

- The window of opportunity of child benefit reform will *not* lead to significant progress in the fight against poverty
- ...and we'll end up with complex systems anyway